

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON EDUCATION**

**Call to Order:** By **CHAIRMAN GAY ANN MASOLO**, on February 9, 2001  
at 3:00 P.M., in Room 303, Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Gay Ann Masolo, Chairman (R)  
Rep. Kathleen Galvin-Halcro, Vice Chairman (D)  
Rep. Bob Lawson, Vice Chairman (R)  
Rep. Joan Andersen (R)  
Rep. Norma Bixby (D)  
Rep. Gary Branae (D)  
Rep. Nancy Fritz (D)  
Rep. Verdell Jackson (R)  
Rep. Hal Jacobson (D)  
Rep. Larry Lehman (R)  
Rep. Joe McKenney (R)  
Rep. John Musgrove (D)  
Rep. Alan Olson (R)  
Rep. Ken Peterson (R)  
Rep. Butch Waddill (R)  
Rep. Allan Walters (R)  
Rep. Merlin Wolery (R)

**Members Excused:** Rep. Jeff Mangan (D)

**Members Absent:** None.

**Staff Present:** Connie Erickson, Legislative Branch  
Nina Roatch, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 31, 2/2/2001;  
HB 121, 2/2/2001

Executive Action: None

HEARING ON HB 31

Sponsor: REPRESENTATIVE CAROL JUNEAU, HD 85, Browning

Proponents: Heather Hart Goldstein, Bozeman  
Orville Getz, Victor Schools  
David R. Reeves, Great Falls  
Ken Keily, Cascade  
Julie Mitchell, Helena  
Josh Middleton, Valier, SD #18  
Lesle Brassfeild, Missoula  
Sara Lyon James, Missoula  
Nancy Deschamps, Missoula  
David Irion, Billings  
Ann Baker, Missoula  
Jo Swain, Billings Public Schools  
Sara Garcia, Trustee, Bozeman Public Schools  
Jerry Cashman, Trustee, Bozeman Public Schools  
Suzette Dussault, Trustee. MCPS  
Donald Jones, Helena  
Sue Rolfig, Columbia Falls  
Barbara Ridgway, Clancy  
D Jacobsen, Jefferson School, Helena  
Christie Pedersen, Missoula  
Jane Guffin, Missoula  
Gloria Tatchell, Helena  
Deborah Hayden, Swift Current Ventures, Bozeman  
Michael Redburn, Bozeman Public Schools  
Karl Kallin, Helena  
Don Iversen, Fairview School Board  
Emma Sirr, Helena  
Bev Sirr, Helena  
Kirk J. Miller, Havre Board of Public Education  
Julie Geddes, Bozeman School District  
Mike Dimich, Billings School district #2  
Dan Marten, Billings  
Steve D. McArthur, Missoula  
Beth Kennedy, Gifted Education, MCPS  
Terry Vanderpan, Eureka Schools  
Garth Kallevig, Sidney Schools  
Dave Lange, Columbia Falls Schools  
Barb Biley, Columbia Falls  
James Carkulis, Missoula  
Kathy Tams, School District #38  
Sheila Conners, School District #5  
Mary Lerner, Kalsipell

**Opponents:** Elena Gagliano, Philipsburg  
Dick Motta, Philipsburg

Opening Statement by Sponsor:

**REPRESENTATIVE CAROL JUNEAU, HD 85, Glacier County and the Blackfeet Indian Reservation**, said she brings **HB 31** on behalf of **OPI**. She said that she is not an expert on school funding. **HB 31** will provide an increase in funding for our public schools in Montana. It is going to increase ANB entitlement for elementary and high school students at the rate of 3.88% in fiscal year 2002, and 7% in fiscal year 2003. It will increase the basic entitlement 3.88% for elementary and high school in fiscal year 2002 and 7% in fiscal year 2003. There is no change proposed in direct state aid. The bill will leave it at 44.7% for both the basic entitlement and ANB for both fiscal year 2002 and fiscal year 2003. There are no changes proposed in the guaranteed tax base budget area. This bill has no impact on the state appropriation for special education. The money appropriated for special education is in **HB 2**. The base budget of a school is still at 80% of the total ANB, 80% of the basic entitlement, and 140% of the special education allowance. This bill does increase schools' budgeting authority. She started preparing for this hearing with facts and figures about **HB 31** and tried to figure out how to put this information into some format that would make it easier to understand what it will do for our schools. She is not going to do that. Instead, she believes the intent of this hearing is not about the mechanics of this bill, but about what the legislature's intent is in terms of funding the public schools. Members of the legislature will have to decide whether they are going to live up to the campaign pledges that they made to support education. In the Governor's speech at the State of the State, she quoted Martin Luther King, Jr. who said, "The ultimate measure of a man is not where he stands in moments of comfort, but where he stands at times of challenge and controversy." **REPRESENTATIVE JUNEAU** said she certainly agrees that we are at a time of challenge and controversy in our public education system in Montana. We each must take a stand and support our K-12 schools with adequate financial support. She also agrees with another of Governor Martz's statements. She said "Indeed, education is the key to building a better economy and bringing better paying jobs to Montana." She also said, "As we open markets and opportunities for our citizens, we cannot forget that the best investment Montana makes in the future economy is through education." Think of what we save when we educate kids. One third of the TANF recipients, TANF is the new name for welfare, are high school dropouts. She read in yesterday's paper a quote by **CHAIR MASOLO**. She said, "The surest way to move people off of welfare and out of poverty is education." **REPRESENTATIVE JUNEAU** could not agree more. The average prisoner in Montana reads at the eighth grade level. Forty percent of Montana's prison population are high school

dropouts. When we don't invest in all our kids, many end up costing far more down the road. We need to give the youth of Montana the opportunity to succeed. We need to make the decision to invest in them now. Yes, the legislature did raise funding for the schools in the special session, but it was not enough. We have schools closing throughout the state. We have full academic programs being eliminated. We have teachers leaving our state for better paying jobs because we are 48<sup>th</sup> in the nation in teachers' salaries. How can we keep teachers in this state when we offer them only \$19,000 a year? We have teachers being laid off because our schools can't pay them. We're going to have more students crowded together in our classrooms where they will receive less direct teacher support. We have teaching positions open in our schools that our schools can't fill and the list goes on. Who suffers from all of this? Surely the students suffer. Their families suffer. Our state also suffers with these losses. She listened to a trustee from Missoula, during a hearing, say they can no longer meet state accreditation standards and they cannot guarantee a quality education. That should be alarming to all of us. It is a serious problem. We read in the news, everyday, of people being layed off and businesses closing. We all get very concerned. In fact, when we opened the paper this morning, there was a business, Anderson Steel and Supplies, in Butte, closing with fifteen more full-time jobs lost. There have been about 2500 other jobs lost in businesses in this area. The state is working to bring new industries in and giving financial support to keep those businesses alive. Some how, for some reason, we don't include teachers when we consider statistics. They should be included in that layoff list. Teachers and schools are a vital part of our economy. They are our major economic player in our state and in our communities. In her community they are one of the largest employers and they offer some of the best paying jobs. To fund **HB 31** we need \$67,000,000. Members of the legislature made campaign pledges to support education and economic development. Let's invest in our schools and help them meet their responsibilities. Opponents will argue that schools do not need additional funding because their student enrollments are declining. She would disagree with that line of thought. It doesn't work that way. The legislature has to look at the realities of school budgeting and operations. As an example, inflation affects each person present. It also has a large impact on the schools. The schools have fixed costs. If they lose a couple of students out of a classroom, that doesn't mean the school can layoff a teacher. You'll hear plenty of examples of this issue that our Montana schools are facing. In addition to all the regular costs of operating a school, Montana is now facing serious issues with energy. We can't open the newspapers without reading something new about the energy costs and the energy crisis. No one knows what is going to happen. She would imagine that a great portion of the money in **HB 31** will

go to energy costs. We are asking the schools to be accountable. We want them to graduate students with the skills to help strengthen Montana's economy. We want them to develop strategies to keep our teachers here. We tell them to provide training to their teachers to gain skills to teach about our new expanding global environment. None of that can be done without adequate financial support. **HB 31** is a major step in the right direction. Remember the quote, "The ultimate measure of a man (or a woman) is not where he (or she) stands in moments of comfort, but where he (or she) stands at times of challenge and controversy."

**Proponents' Testimony:**

**Linda McCulloch, Montana Superintendent of Public Instruction,** submitted written testimony. **EXHIBIT (edh33a01)**

**Kirk J. Miller, Chairman, Montana Board of Public Education, Superintendent of Havre Public Schools,** submitted written testimony. **EXHIBIT (edh33a02)**

**Liz Colantuono,** said she has come to the hearing on behalf of her children. She submitted written testimony. **EXHIBIT (edh33a03)**

**Glen Monson, Superintendent of Glasgow Public Schools** submitted written testimony. **EXHIBIT (edh33a04)**

**Andrea Helling, Victor School Student,** submitted written testimony. **EXHIBIT (edh33a05)**

**James Carkulis** said he is a private businessman from Missoula and the parent of three elementary students. He has two decisions to make. The first is whether or not he votes next session for his legislator who supports education. The second decision he has to make is to determine whether or not he sees a fully funded adequate education system. That decision will determine whether or not he pulls his children out of public education and puts them in a private education. That is something that he does not wish to do. The committee's side of the problem is different. You have to make the hard decisions. The committee knows the problems. He will offer a solution. The solution works. He has mitigated the impacts to the business sectors that would be involved. This plan will give \$38,000,000 to public schools annually. It will give another \$16,000,000 to higher education annually. The days are gone when we had the opportunity of deciding whether or not a teacher would get his raise because the school board chairman had a good crop year or a poor one. The legislature needs to be innovative and bold because you are running into a crisis situation. The revenues are not there. They are rapidly declining because of one of the cumulative

effects that is going on in this state. That is the energy situation. Please take a hard look at the suggestion being submitted to you. Be bold, introduce these ideas, air them out in public, and make this state the education state that it once was. **EXHIBIT (edh33a06)**

**Mike Dimich, Billings School District #2**, stated that they have seen a decline in enrollment and are very concerned about the funding mechanisms in place. His school is responsible to the taxpayers, the same individuals who have elected the members to the Legislature. The fiscal accountability is becoming very trying. They try to be creative, they try to do things that do not take away the ultimate delivery of education to Montana's children. Their K-8 is at the budget cap. This means they have a significant budget shortfall for K-8. Their high school, while not at the cap, is experiencing shortfalls also. What does this mean to the Billings School District? They could act on the recommendations given to them by their superintendent. That would mean, at best, a cut of forty to fifty teachers, a cut of five full-time administrative positions. The list is quite long and is no different from other districts. If the Billings School District must make cuts, they hope they are far away from the delivering of education to their children. They are truly what matter.

**Toba Winston, Stevensville**, submitted written testimony.  
**EXHIBIT (edh33a07)**

**Jan Guffin, Missoula Schools Trustee**, asked the committee to imagine their school district as a well clothed healthy human being. Missoula, as communities both rural and urban across the state, has experienced slowly declining enrollment over the past seven years. The funding has declined rapidly and they have been capped with their budget. The Missoula trustees, in order to balance their budget as required by state law, every year have been forced to strip away the clothing, put their school district on a starvation diet and in recent years began an amputation process. They have had blood baths with their communities and among their board members deciding which are more valuable; the toes, fingers, the nose, or the ears. They have removed several of those. By the time school opens this fall, they will have amputated three out of twelve of their elementary schools, their personnel director position, their gifted education program that has been very successful and served many children over many years, they have squeezed their special education program and their classroom size has gone through the roof. Next year even with a three percent increase, they will be deciding whether to amputate hands or feet. There is no end in sight, particularly with the energy crisis coming down the road. To put this in one

more context, in the early 90's their school district was a Cadillac, four years ago it was an old Ford, today it is a bicycle. Next year it may not have tires or a chain. This is not the way they want to transport their children through their public education K-12. This bill will allow them to be trustees and advocates for education across the state, instead of surgeons.

**Mollie Keeley, Fifth Grade Teacher, Longfellow Elementary School, Butte,** submitted written testimony. She also submitted written testimony from her classes. **EXHIBIT (edh33a08)**

**Megan McNamer, Missoula,** submitted written testimony.  
**EXHIBIT (edh33a09)**

**Kristopher C. Kuehn, Superintendent of Opheim Public Schools,** submitted written testimony. **EXHIBIT (edh33a10)**

**Josh Middleton, Superintendent of Valier Public Schools,** said he has a job in education, but is also a father of five children. He would have the committee assume that his son is 18 years old and he would be leaving home at the end of the school year and living independently. That means that next year one seventh of his family will be gone. He still plans on heating his house for the remaining six members of the family, he still needs to paint the house, he still needs the same amount of fuel getting around, he assumes his wife would like him to make a bit more money to cover inflation and other expenses; so the bottom line is, even though one seventh of his family would be gone next year, it will be more expensive to run his household. If you apply that to Valier schools, a small district whose count last year was 249 students and this year it is 245, with a net loss of 4 students, which will be the basis of their budget, they will actually gain about \$3000. He and his board thought they were wise when they were able to get a two-year negotiated contract with the teachers. But, \$3000 is about \$27,000 short of what they need next year. The Montana Power Co. has sent their customer advocate around to schools and has told him to plan on a 20% increase for natural gas for next year and 10% increase for electricity. What this means for Valier is, if they operate at a zero percent increase for next year, they will have to lay off a teacher and an aid. They would not be able to fulfill the accreditation standards and there will be inevitable cuts in programs, materials, maintenance, and most importantly, there would be a drastic cut in the quality that Valier offers its students.

**Bob Anderson, Superintendent of Winifred Schools,** said that twenty years ago he stood in front of the House Education



Committee as a state Representative from Flathead County. He had been granted the privilege, on behalf of the Republican leadership, to carry forward the school funding bill. Many of them were still dealing with a new constitution which was drafted in 1972 and spoke of "a free quality education" for students in our state. They were concerned about how they might bring that about and they knew they were lagging behind funding-wise with many of the states. Frankly, not as far behind as we are today, but we were lagging behind at that time. They went out in 1980 and campaigned statewide to make education a priority. There is a lot of rhetoric that was spoken at that time about education and how they were going to deal with it. They knew, in order to do it, it was going to cost something. In 1980 he carried bills in front of this committee, one being HB 700 and another HB 701. One was the mechanical part of how it would be funded and the other was the actual appropriations, which had to pass the Education Committee before going to the Appropriations Committee. That is how it was done in those days. Those bills were passed unanimously and were sent through the House and the Senate and signed by the Governor in March of that year. The bills included funding of an 18% increase the first year and a 15% increase the second year. It was a priority for their party; it was a priority for both parties; it was a bipartisan bill that sent a message across the state that public education was a priority and the Legislature was going to make sure that it happened. He has submitted a notice that he recently sent out to his community, as school superintendent, talking about some of the cuts that are going to occur this next year if things don't change.

**EXHIBIT (edh33a11)**

**Heide Weedenhess, Student, Glasgow High School,** said the most important thing she wants to say is that you must do what is right and put the children first.

**Gordon Hahn, Teacher, Glasgow,** said he is one of about 40 people who got on a bus in Glasgow that morning at 2:00 a.m. He has taught for twenty-one years. Last year he was honored as Disney's Outstanding Science Teacher and his school district is financially a mess. They can't keep teachers that are there, they are going to neighboring states, and they can't get teachers to fill the positions. Teachers who are there don't have materials to work with.

**Garth Kallevig, Trustee, Sidney Public Schools,** stated that in 1990-1991 they had 502 ANB and their general fund budget was \$2,343,000, their state funding was \$1,361,000 and their local district mills were 23 and that amounted to \$334,000, which was 14%. Currently they are at 63.47 mills and that is up about 20% from ten years ago. If they don't receive money, they will have

to make drastic cuts and they feel the Legislature will be sending them a message that education is not important.

**{Tape 1; Side : B}**

**Don Jones, Helena,** asked that whatever the committee does, don't put the burden on Montana's children.

**Gloria Paladichuk, Outlook,** stated that she had checked the millage of districts statewide and found that the highest one is in Dawson County. The Glendive School District has 394.78 mills for education. In checking the total millage for everything that would go on the tax bill, the three highest are in Sheridan County. Medicine Lake pays 622.63 mills, Westby pays 779.38 mills, and Outlook pays 801.89 mills. She urged the committee to pass **HB 31**. Those taxpayers need relief.

**Julie Mitchell, Chair, Helena School Board,** submitted written testimony. **EXHIBIT**(edh33a12)

**Heather Hart Goldstein, Bozeman,** submitted written testimony. **EXHIBIT**(edh33a13)

**Dick Cameron, Superintendent of Glendive Public Schools,** said that during the last ten years he has worked with a group of people he calls "miracle workers." They are the school employees, classroom teachers, administrators, school board members and the property tax payers of the state of Montana. For ten years he has watched a decline in state support for education. During that time the miracle workers have pasted and patched and kept a very competitive school system together. By passing and funding

**HB 31,** the committee will allow them to continue patching and pasting the education system and keep things together. If they are faced with zero and 3, he will be going to his students and telling them their education is definitely on the decline. There is no other way to look at it.

**Randy Morris, Trustee, Butte Public Schools, Member of MSBA,** said he was present to represent the president of MSBA, MSBA represents over 90 school districts that are gathered in the chambers. He represents thirteen school districts of AA schools as a member of the Butte School Board. They comprise about 42% of the students educated in the state of Montana. They are faced with 10.8 million dollars in reductions in their budgets. That represents over 300 teachers who will lose their jobs if they are not allowed additional funding.

**Tammy Elser, Missoula,** said she speaks for her two children in the Missoula school system and the 480 K-12 children who attend school in the Arlee Public Schools where she works. She speaks in strong support of the bill. As a taxpayer she is willing to pay for the maintenance and the improvement of Montana's education system. As a citizen and parent she eagerly embraces the challenge of seeking and supporting each member of the Education Committee in seeking additional funding for the schools to generate the new revenue that would be required. She would even support a sales tax.

**Debra Hayden** said she comes from the business community. She runs a venture capital company. Her job is creating jobs. She cannot do that without an education system. As she attends business meetings throughout the state, the number one priority that she hears from the business community is that we need a strong education system to provide an educated workforce. Montana cannot have economic development without education. If the Legislature has to take dollars from the economic development program, do it. If they have to raise taxes, do it. She is the most conservative person on this earth, she is a Republican, but if they have to raise taxes, do it.

**Carl Somers, Superintendent of Fort Benton Public Schools,** stated that he is a resident of the largest agriculture county in the state and for many years some of the most prosperous grain producers in the nation. In 1979 they had 570 students. In 1999 they had 470 and they see a loss of 120 students by the year 2003. In the process, they have been able to recruit and keep teachers that they feel are excellent. They are six time Academic Excellence in the state. At present he has 23 of 33 teachers who are froze at the bottom of their current pay scale. Last year he would have had to eliminate four teaching positions. The special session allowed him to eliminate only two. He advertised one teaching position for two months and had one application for that position. Next year his budget shortfall shows \$23,000 less in elementary and a \$70,000 shortfall in the high school. He is looking at laying off another four teachers or one principal and two teachers. The bottom line is that he is down to the bottom of the barrel and he is starting to terminate teachers with 25 and 30 years of experience and they are not being allowed to retire gracefully.

**Bob Nicetoon, President of Kalispell Area Chamber of Commerce,** said he would like to draw an analogy for the committee. Think about hundreds of unemployed families that will be seated at the proverbial kitchen table to set priorities on budget items that they value the most and they will not compromise as they deliberate how to move forward with their lives. He sees the

members of the committee sitting at the same table in the same predicament with tight budgets, storm clouds on the horizon, with higher energy costs and more demands for funding the state government. The committee is defining the state's values and he can't imagine that you would compromise on teachers, economic development, jobs and most important, the state's children; they are not negotiable.

**Tom Lockyer, Superintendent of Schools in East Helena,** said that, for the past five years, East Helena has been one of the few districts that has grown, averaging three to five percent each of those years. Yet, he is three teachers down because the funding formula doesn't work. Asarco just closed. The impacts that the others have testified about will be impounding the impacts that they've been under because the funding formula doesn't work. One way or another, something has to happen to the formula to help all schools, regardless of whether a school has a decreasing or increasing enrollment.

**David Lang, Trustee, Columbia Falls School District 6,** said they are facing a shortfall of \$268,154. The issue that he faced as a trustee during negotiations was very difficult this past year. The difficulty was in trying to meet a combination of needs. Lack of funding puts teachers, parents and school district trustees at odds with each other in the difficult times being faced in negotiations.

**Bill Parker, Malta,** said Malta is a very conservative Republican stronghold. They have not been before the committee whining, informally or professionally. When they come today, telling the committee they are a school district that has tried to use their money very wisely. Their board of trustees try meeting after meeting to do that. He has the envious task of going before them on Tuesday to tell them their current bill in power and electricity is about \$27,000 which comes out of the year's budget of \$60,000. The math does not work out well. He is the president of the Hi-Line Montana Association of School Administrators. In their last meeting all of the member schools echoed the same things the committee has heard during the hearing. When he was in diapers, **REPRESENTATIVE LEHMAN** was working hard in education at that time and he is still asking him for support for all the generations that are coming.

**Suszette Dussault, Trustee, Teacher, Missoula,** said she wished to thank the committee for the hard work they do for education. What she would like to ask of the committee is to bring to them some leadership and direction. Citizens across the state of Montana, in poll after poll, have told the Legislature that they value education and price it as a priority, not in some

communities, but across the state. They have elected proponents of education to legislative positions of power. In communities they have supported funding measures to provide children with the best quality education possible. In Missoula they have put their money where their mouth is. They have funded every building bond, every mill levy and every building reserve levy that has come before them. Now the Legislature must show the leadership. They have done what they can. They have elected people who said education is important to them.

**Cathy Burwell, President/CEO, Helena Area Chamber of Commerce,** submitted written testimony. **EXHIBIT**(edh33a14)

**Charles M. Topley, School District #14 Trustee, Shelby Public Schools,** submitted written testimony. **EXHIBIT**(edh33a15)

**Christine Tuckerman, Superintendent, Superior School District #3,** submitted written testimony. **EXHIBIT**(edh33a16)

**J. Jay Erdie, Roundup Public Schools,** submitted written testimony. **EXHIBIT**(edh33a17)

**Calvin L. Johnson, Superintendent of Belt Public Schools,** submitted written testimony. **EXHIBIT**(edh33a18)

**Mary Lerner, Flathead High School Trustee, Kalispell,** submitted written testimony. **EXHIBIT**(edh33a19)

**John, Ann and Mikael Luke Baker, Missoula,** submitted written testimony. **EXHIBIT**(edh33a20)

**Gary J. Griffith, Supervisor Maintenance and Operation, Bozeman School District #7,** submitted written testimony. **EXHIBIT**(edh33a21)

**Martha Kohl, Helena,** submitted written testimony. **EXHIBIT**(edh33a22)

**Mike Fredrickson, Lead Coordinator or Special Education Services at MCPS and Sara Lyon James, Legislative Committee, IDEA, PTA,** submitted written testimony. **EXHIBIT**(edh33a23)

**Gloria Tatchell, Helena,** submitted written testimony. **EXHIBIT**(edh33a24)

**Eric Feaver, MEA-MFT,** submitted written testimony. **EXHIBIT**(edh33a25)

**Steven D. McArthur, Missoula**, submitted written testimony.

**EXHIBIT** (edh33a26)

**David Severson, Missoula**, submitted written testimony.

**EXHIBIT** (edh33a27)

**L. Martin, Lewistown**, submitted written testimony.

**EXHIBIT** (edh33a28)

**Karin Billings, Realtor, Helena**, submitted written testimony.

**EXHIBIT** (edh33a29)

**Opponents' Testimony:**

**Elena Gagliano, Philipsburg**, stated that the school issue does not have anything to do with being a Republican or a Democrat. It is about the kids. She heard "quality education" mentioned in many of the proponents' testimonies. She also heard about "declining enrollment." She would like to talk about quality education. She would like to know what the definition of a quality education is. She doesn't believe the public should be asking how much more funding can be given to public education. Her question as a parent, a taxpayer, grandmother and a stake holder, is, what are they spending the money on now? Just a few weeks ago there was an article in the Missoulian about where Montana rates as far as the report card. She believes Montana got a B for funding. As far as the other grades, Montana received an F, D... According to the article there was about \$6,550 spent per student in Montana. That is over the national average of \$6,408 and yet we didn't fair too well. Tuesday there was an article in the Butte Standard that contained a bunch of email that were sent to the Governor. Some 7<sup>th</sup> graders from Missoula sent them in and the editor printed them as they were received. They were very poorly written. In 1995 the Legislature turned down the Goals 2000 money which is outcome based education, which is very expensive. Superintendent of Schools Nancy Keenan decided that she wanted it and let it come in through the local school districts. It is coming in and costing a lot of money. As for her legislators, she resents the fact that they spoke for the people of Montana and then let the Superintendent of Schools go against their wishes. Now education is asking you to approve more funding. She said she had a form from a Missoula school which is asking questions about health and human sexuality and she would feel uncomfortable reading it to the committee. Before the Legislature decides to give education more money, find out what is being paid for now. In Philipsburg they have 224 students. These last few months, since parents have known that a Goals 2000 grant has been applied for, granted, and accepted, which is going to cost the people a lot of money;

the enrollment has dropped. It is close to 198 now. Why is the enrollment declining in Montana? In Philipsburg the cost per student is \$8,200 and the teachers are the third highest paid teachers in Montana. The enrollment is dropping because the parents are taking the children out of school for home schooling. The educators can say what a wonderful job they are doing, but it's things like she has presented that make people ask, what are we paying for? What kind of education is the public paying for? If you had a problem with your car, you would take it to a mechanic. The mechanic says, I'll tell you what, for this amount of money I'll fix it for you. You leave. You come pick up your car and take it home and find that you still have the same problem you had. You call him up and tell him he didn't fix it. He says for a little more money he'll get the proper tools and fix it right. You do it again. Still have the same problem. In reality, what would you do? You'd go back to him and say, "You're going to fix it for what you've been paid." You need to spend money on context academics. Have teachers that teach and not facilitate. There is good money in these programs on the market that teach phonetics, math... Why? She worries about the kids, too. She worries about the future of all. We better start looking at what we are spending the money on now.

**Dick Motta, Philipsburg,** said the thing that concerns him is, we keep talking about the people in Montana not providing money for education, but when you look at the statistics and go back to 1990, the state provided \$335,000,000 to education. In 1999, they provided \$595,000,000. He doesn't believe the state of Montana has been negligent in providing money for education. He believes we have a situation where we have more and more programs every year. Since 1990, the number of people in education has gone from 22,700 to 26,800. The state has done its job in providing money for education and the number of teachers has increased. The enrollment in 1994 was 156,954. In 2001 the enrollment is projected to be 156,715. There is no significant difference in enrollment. Some of the programs that we have provided, it seems to him, emphasize more of the social psychological aspects of education. The Goals 2000 was one of those programs which was defeated in 1995 by the Montana Legislature. Nancy Keenan went ahead and authorized access to the program. She got the money from the federal government when the Legislature said it would not fund the program. Schools are applying for the money. It is supported by federal funds and non-federal funds. The federal funds are put directly into a miscellaneous fund. The non-federal funds are being dispersed from the general fund. That money is indirectly being paid by the Montana taxpayers. The money is taken from budgeted funds for field trips, supplies, etc. Money is being directed into Goals 2000 from money that was directed to other expenditures. Schools are misrepresenting how

the money is being spent. It is time that the taxpayers get their money's worth from the school system. It is time for them to emphasize curriculum, the academics, improved skills for the teachers and get away from sociological-psychological programs that seem to be working their way into schools. By any definition, the schools are failing. If you look at any external measure, the school scores are going down, standards are going down, the SAT scores are going down, our comparison to other countries is going down. To justify putting Goals 2000 in the Philipsburg school, teachers said the students' standardized test scores had been going down for the past ten years. That is a serious indictment of the teachers. Teachers need to change their methods. Until they do, we will pour money into the schools and it will not be very effective.

**Questions from Committee Members and Responses:**

**REPRESENTATIVE BUTCH WADDILL** said that **Tom Lockyer** had said the funding formula does not work. He asked him if he feels passing **HB 31** would solve the problem? **Tom Lockyer** said his direction in explaining that was a result of the fact his enrollment has grown over five years and the fact that the taxpayers have approved levies. In that formula, that 4% growth doesn't meet the needs of the fixed fiscal costs increases that schools experience on an annual basis. The bill might not address the problem, but it would be a lot better than it will be without the bill.

**REPRESENTATIVE WADDILL** asked him if he has a solution to the formula problem. **Tom Lockyer** said schools use to be able to address fixed cost increases on an annual basis by a permissive levy. As a taxpayer he would support a permissive element to at least regain the fixed cost increases that schools experience on an annual basis. Beyond that, politically, he supports what MSBA and others have put before the committee in **HB 31**. At this point in time it is the best solution that he can see.

**REPRESENTATIVE ALAN OLSON** asked **Superintendent McCulloch** if she could give him a rough idea of what percent of K-12 students are in schools affected by budget caps? Her sources tell her that two thirds of the elementary schools and one half of the high school district are in that position.

**REPRESENTATIVE JOHN MUSGROVE** also had a question for the **Superintendent**. There have been assertions that scores are going down on SAT and other standardized tests. Is that true? The **Superintendent** said that according to the Educational Week, Quality Counts 2001 report Montana is doing wonderful. We are in the top of the nation in mathematics, science and reading. We score second to Singapore in the nation in Nape scores. Our SAT scores are very high compared to the rest of the country.



**REPRESENTATIVE KEN PETERSON** said he had heard all the testimony saying it is absolutely necessary to pass **HB 31**. It sounds to him, from what everyone says, this is just a stop gap measure. What is going to happen in the future? Is education going to keep coming back asking for more money? **Superintendent McCulloch** said that the problem has occurred over the last decade, in that funding time in the public schools, in 1995 there was a 0% funding, followed by a 1% increase in 1997 and it didn't go into the base budget. It was a one-time-only expenditure for building maintenance and computers. Education had a little help from the 1999 Legislature and the 2000 Special Session. The crisis is that the schools have had a decade of under funding. They have a bill that should come out soon to study school funding in Montana. **REPRESENTATIVE PETERSON** said that he understands all that she has said. He asked, what is going to help that crisis situation? Is the crisis going to get worse? **Superintendent McCulloch** said **HB 31** will give them some money to work with and the school districts know it is not going to be all that is needed to keep them up to a quality level. It is understood that, in Montana, 75% of our college graduates in the teacher education program are leaving the state immediately. Teachers' salaries are no more important than anyone else's salaries in Montana. The trouble is, teachers' salaries are directly related to a shortage of teachers in Montana. That is where we reach the quality education issue.

**REPRESENTATIVE PETERSON** asked **Elena Gagliano** if she heard the questions he asked **Superintendent McCulloch**. He asked her if she would respond to the crisis that education is facing. What is her solution? **Ms. Gagliano** said she knows that it isn't throwing more money at it. We talk about declining enrollment. Why is enrollment declining? Nothing has been cut but the quality of education.

**REPRESENTATIVE GALVIN-HALCRO** had a question for **Superintendent McCulloch**. She had said that since 1995 state funding for education has decreased. She was asked to tell the Representative what percent state funding was for education in 1995 and at what percent state funding is for education today. It was deferred to **Madalyn Quinlan**. **Ms. Quinlan** said she did not have a figure for 1995. In 1998 the state was funding 63%, it dropped to 62% in 1999, in 2000 it came up to almost 63% and with the funding increases from the Special Session at present it is about 63.5%. Under the present proposal, with no increases, the state's share of funding next year will drop to 60%.

The **CHAIR** asked **Ms. Quinlan** why the decrease in ANB in our schools is happening? **Ms. Quinlan** said that live births in Montana have been declining since 1996 and are projected to

decline until 2013. What we are seeing now is that the public school enrollment peaked about five years ago. Montana schools are on the decline and in the foreseeable future there is no stop in that decline in terms of public school enrollments. They have not seen a significant shift of students from public schools to private schools or home schools. We have about 3,800 home school students in the state and that number is fairly stable. It has dropped somewhat, representing the same decline the public schools is seeing.

**REPRESENTATIVE VERDELL JACKSON** asked if inflation has eaten up the increases education has received? **Madalyn Quinlan** said that over a ten-year period, school district general fund budgets have grown by about 26%. That is about a 2.6% increase annually. The state's share of funding, the actual dollars going to schools, has grown by about 1.2% annually. The state rate of growth is less than half of the total increase in school general fund budgets. Over that ten-year period district property taxes have increased by 145%, so schools went from \$75,000,000 to support general fund budgets in 1991 to \$184,000,000 for the current year. There have been increases in federal funding. The most notable would be special education, also some money coming into the state for reduced class sizes. Title 1 has also increased. Inflation has gone up by 40% over the ten-year period. School districts are facing cuts because of inflation. They have the fixed costs of operating school districts and they go up from year to year. Schools have to make cuts elsewhere in the budget to pay for the fixed costs. The group of schools the committee is hearing from are the schools that are up against the budget caps. They are in the majority. **REPRESENTATIVE JACKSON** asked if there are districts that are growing. **Ms. Quinlan** said that about two thirds of the elementary students are in districts that are within five percentage points of the maximum general fund budget. About half of the high students are in schools that are bumping up against those caps.

**REPRESENTATIVE WADDILL** asked **Ms. Quinlan**, if schools are facing cuts because of inflation, does that mean they are not facing cuts because of enrollment? **Ms. Quinlan** said it is one cause. Because of actual reductions in the budget, you have to cut deeper in the budget than just the dollar amount which is being reduced, because you are also dealing with the cost of inflation. **REPRESENTATIVE WADDILL** asked her what the decline in the enrollment has been for the past year. **Ms. Quinlan** said that her office is projecting that the enrollments from this year to next year will drop by 2,300 students statewide. In the following year it will drop by another 2,400 students statewide. That is against a base for the current year of 154,700 students.

**REPRESENTATIVE PETERSON** said **Ms. Quinlan** had indicated the decline in enrollment was projected out to the year 2013. How was that date selected? **Ms. Quinlan** said that the date reflects the current kindergarten group of students will be graduating in 2013.

{Tape : 2; Side : A}

**Closing by Sponsor:**

**REPRESENTATIVE JUNEAU** said she wanted to comment on some things said in testimony such as maintenance costs, teacher salaries, the importance of education, needing an educated workforce, we can't negotiate kids, the challenges of education, etc. She urged the committee to remember what had been said.

**HEARING ON HB 121**

**Sponsor:** **REPRESENTATIVE DOUG MOOD, HD 58, Seeley Lake**

**Proponents:** **Jeff Hindoien, Governor's Office**

**Opponents:** **Sheila Conners, School District #5, Kalispell**  
**Eve Dixon, School District #5, Kalispell**  
**Mary Lerner, Kalispell**  
**Bill Sutton, Trustee, School District #29**  
**Cathy Nash, School District #29, Lakeside**  
**Roylene Gaul, School District #7, Chair, Victor**  
**Richard McNally, Trustee, Lincoln**  
**Andrea Helling, Student, Victor**  
**Barbara Seekins, MCPS, Missoula**  
**Michael Kupilik, MCPS Trustee, Missoula**  
**Jenda Cummings, MCPS Trustee, Missoula**  
**Rosemary Harrison, MCPS Trustee, Missoula**  
**Bruce Youngquist, School District #38, Lincoln**  
**Orville Getz, Victor School District, Victor**  
**Suzette Dussault, MCPS Trustee, Missoula**  
**Donald Jones, Helena**  
**Mary Ruby, School District #5**  
**Deborah Jacobsen, Helena School District #1, Clancy**  
**Bob Anderson, School District #5, Winifred**  
**Megan McNamer, Missoula**  
**Dick Motta, Philipsburg**  
**Elena Gagliano, Philipsburg**  
**Jay Erdie, Roundup Schools**  
**Jim Germann, Fairview Schools**  
**Sue Roling, Columbia Falls**

Don Bouchard, Fairview  
Don Iversen, Fairview School Board  
Beth Sirr, Helena  
Emma Sirr, Helena  
Julie Gedde, Helena  
Bruce Messinger,  
Barb Riley, School District #6, Columbia Falls  
Dave Severson, Missoula Education Association  
Tom Lockyer, East Helena Schools  
Tonia Bloom, Corvallis  
Wayne Lensbek, Troy Schools  
Kyrsten Brinkley, Missoula  
Colleen Rogers, Missoula  
Liz Calantuono, Missoula  
Tammy Elser, Arlee Public Schools  
Bill Parker, Malta Schools  
Mary Vagner, Missoula County Public Schools  
Collene Jackson, Board Chair, Belfry Public Schools  
Brenda Nordlund, Helena Public Schools

**Opening Statement by Sponsor:**

**REPRESENTATIVE DOUG MOOD, HD 58, Seeley Lake,** said he was bringing the bill to the Education Committee on behalf of the Governor's Office. He does not come to the hearing as an expert on school funding. He comes to the meeting to introduce the appropriation that is currently in the state budget for school funding. It is described as a 3% increase in basic entitlement in the second year of the next biennium and a 3% increase in the total ANB entitlement in the second year of the biennium. He would like to suggest to the committee that the funding that is in the budget is consistent with funding that has been presented to the education budget for the last four years. In 1998 and 1999, they had an increase in the ANB of one and one. In 2000, the increase was 2.5% and 2001 it was 6.6%. Now they are suggesting a zero percent increase for 2002 and for 2003 they are suggesting a 3%. That translates into about a 10% increase in the last two years. If one averaged it out over the four years of this biennium and the next biennium, it is a little over 3% per biennium. The same is not true of the high school ANB. That increase in 2000 was 1% and in 2001 it was 4%. He believes that the bill he is presenting is the realistic bill for what is going to happen to education in this biennium. It is not that the administration lacks the political will, it is an extremely tight budget. They have to make decisions as to where that money is going to be spent. He leaves it up to the Education Committee to deliberate on whether or not it is realistic or whether the

Legislature should change its priorities in spending in order to accommodate increased spending in education.

**Proponents' Testimony:**

**Jeff Hindoien, Governor's Office**, said the bill represents the Governor's proposal for increasing state aid to public education for the next biennium. Projected revenues have continued to drop over the past two months, but the governor remains committed to the increase in school funding represented by **HB 121**. It represents an increase of 13.2 million dollars in state funding over the next biennium. It will leave the basic per ANB student entitlements static for this upcoming school year and increase it by 3% for the 2003 school year. The proposal is the result of some very difficult policy choices made by the Governor. They are policy choices that require the allocation of a finite amount of general fund resources amongst what is to you as legislators, and as you can imagine to her, an unlimited amount of needs. The bulk of those general fund needs are represented by public education, both K-12 and higher ed, by human services and by corrections. Taken together, depending on which figures one looks at, those four areas will consume between 80% and 90% of the general fund over the next biennium. Half of that figure is K-12 education. The governor has attempted to balance the competing needs and policy needs for increased spending to maintain services in all those areas. This bill represents her policy choice with respect to K-12 education and increasing the basic and per ANB entitlements. That increase is intended to build on increases that were made over the past biennium by the 1999 Legislature and by the May 2000 Special Session. The combined actions taken in both of those sessions saw a 3% increase in the basic entitlements, a 5% increase in the per ANB entitlements at the high school level and a better than 10% in per ANB entitlements for the elementary schools. The Governor believes that her proposal to increase spending under **HB 121** by 13.2 million dollars over the next biennium represents a step to continue trying to move forward with the increases implemented the last biennium and to increase spending again in the 2003 school year. It is a step that reflects a very difficult balancing of policy choices that had to be made within the confines of the state's fiscal realities. It is the Governor's understanding that the joint appropriation sub-committee has already approved of her policy choice for K-12 education. It now remains the task of the education committee and the Legislature as a whole to engage in that same policy exercise. On her behalf he wished the committee well in their deliberations.

**Opponents' Testimony:**

**Jay Erdie, Superintendent of Schools, Roundup,** said if **HB 121** becomes a reality in its present form, Roundup schools will be forced to eliminate two high school certified staff positions. That move would be on the heels of having been compelled to let go three and a half certified elementary teachers at the conclusion of the 1998-99 school year.

**Sue Rolfig, Flathead Valley,** said the governor has said that only about four people seem to understand Montana school funding. She is not one of them. She is one of a growing legion of upset parents that understand very well that when the state increases spending on everything but education, that lawmakers are counting on local taxpayers to pick up a bigger part of the tab. It doesn't seem right. She would love to pay less taxes, but she does not expect the students to suffer in order to accomplish that. It is shameful that this budget proposed in the bill would decrease state aid for K-12 about \$18,000,000 over the biennium while the general fund should grow 8% in that time according to the Legislative Fiscal Division. The Governor's proposal for education in **HB 121** should be rejected and **HB 31** should be supported, as should any bill that gets the state back on track supporting quality education with increased state aid plus more local determination. The increase in **HB 31** would barely allow Kalispell Schools to continue operating at present levels. This bill would result in Kalispell having to cut nine elementary teachers and three in the high school. If there isn't some fix to the energy crisis, this will be worse. Montana doesn't always offer its young people great job opportunities, but it does have a proud tradition of giving them an excellent education so that our graduates can go head-to-head with the competition in the regional or national job market or further academic pursuits. Our students will only have good choices for their future, if this body makes good choices now in setting spending priorities. Education should get the meat and not the crumbs in this legislative budget's banquet.

**Don Buchard, Fairview High School Teacher,** said he is proud of what public educators do. He loves teaching. He appreciates his students, they teach him. He is president of the Fairview Education Association. In the past ten years they have negotiated constantly and been split. He believes this happens because of what is happening at the state level. He believes there are good people sitting on both sides of the table and they are unable to negotiate. His organization has ten teachers who have not had a salary increase since 1992. **HB 31** is a stop-gap

measure, but he believes the legislature should look at **SENATOR SAM KITZENBERG's** bill supporting a statewide teacher's salary schedule. It is something that needs to be looked at. He doesn't believe **HB 121** is adequate. All of this would be null and void if he could go down to the store and they would say, "that's fine, we'll charge you 1992 prices for the food you are buying and we will charge you 1992 prices for the gasoline that you buy and for the natural gas, etc." Teachers need an increase in pay also. He is present with his superintendent and school board. They are all working together and have come to appeal to the Legislature to listen to them and the people around the state. He has taught his students that this system works.

**Kristene Tuckerman, Superintendent of Superior Public Schools,** said she presented testimony for **HB 31** but it is pertinent as opposition to this bill. Her remarks are directed at those who plan to support **HB 121**. Why do educators and parents keep coming to the legislature when the odds seem to be stacked against them? The legislators need to see people come and they need to be held accountable for the actions they take. Legislators need to know that their decisions impact every child in public schools in Montana. The public can't let them forget who they represent. If they are tired of seeing the public, get use to it, they aren't going away. She feels very uncomfortable being confrontational with the committee, but she is angry. She is angry with being labeled greedy and self-serving because she asks for increases in school funding. She is angry that she is suppose to feel guilty for needing funding increases to keep her staff employed and to give them raises. They deserve raises. The kids deserve to be in classes of twenty rather than classes of thirty or more. It isn't right that because of the schools' energy costs rising, they have to put students in larger classes and take away classes like music and art. She can't allow the committee to forget that their actions affect those who cannot speak up for themselves. What if you are wrong? What if your approach to stimulating Montana's economy is wrong? What if the economy doesn't grow and Montana schools continue to decline? What if no one wants to bring business to Montana because our schools and other public services are in ruin? What if the legislators are wrong? Keep asking yourselves that question before you vote.

**Jim Germann, Superintendent of Schools, Fairview,** said he understands the problem from two different directions. Last year he was in a similar size school district that was growing. They had a very conservative budget, the special session came along and put money into their budget. That really did help them. He got a chance to go home to Fairview. After the special session people in Fairview were very excited. He thought that it put

extra money in their budget. After working through the budget, the elementary budget received \$4,600, not \$20,000 because it is capped. In the high school they received an extra \$20,000, but the voters had already approved that extra \$20,000 and the budget was set at that amount. They did get some property tax relief which they appreciate. When he looks at this year's budget, he didn't get a three or four percent in the district. He received a very small amount of money to cover many areas.

**Mary Vagner, Superintendent of Schools, Missoula**, said she presented information prior to the hearing for **HB 31**. She said they stand in strong opposition to this bill. **EXHIBIT (edh33a30)**

**Bruce Messinger, Superintendent of Helena Schools**, stated that as they look ahead in the Helena public schools with the Governor's budget, and that is the budget they are building their planning on at present, that would mean a \$250,000 reduction in their elementary district where they serve over 5,000 elementary students. Once they add in their costs to make salary adjustments and adjust for utilities, freezing other lines in the budget which they have done for several year, they need to account for 1.3 million dollars worth of reductions and expenditures. Over the last several years they have made comparable reductions so they are left with instructional services where they will be making the reductions. When they take Governor Martz's proposed budget, which is contained in this legislation and roll that into 2002-2003, apply that same formula based on the projection, it is \$800,000 of additional cuts, making a total of 2.1 million dollars worth of reduced expenditures over the next two school years. That accounts for about 10% of their total expenditures right now. They will not be able to satisfy the accreditation standards established by the BPE if they do not have additional funding. They will not be able to do many of the things they had planned to do with the students within his school district. They will not satisfy the expectations of their community. His major concern is about what is going to happen to the state of Montana if we continue to disregard the importance of education and under fund it. We won't provide the kinds of experiences that our children need and deserve and they aren't here to testify or talk about the experiences they will not have. In an interview with former President Bush, the press was asking him what it was like to be born in a situation where there was wealth and opportunity and privilege and how that affected his life and also his children. The only thing he recalled about his life of privilege as a young man and as a father is that it provided him a private education that was second to none and the same for his children so they could excel and have opportunity. **Dr. Messinger** said he wonders if we are creating a state where those who will have opportunity



are only those who are rich. All should have a chance to excel, not just those people in the Bush class. **EXHIBIT (edh33a31)**

**Tonia Bloom, Corvallis**, said her community cannot support **HB 121**. She is concerned about all the concerns spoken about during the hearing and the committee should be concerned about them also.

**Eric Feaver, MEA-MFT**, said the committee has not heard anything positive about **HB 121** and they never will. It should not pass out of the Education Committee or out of the House or out of the Legislature.

**SENATOR JIM ELLIOT, SD 36**, spoke in opposition to **HB 121**. This problem is not new. The reason the people are here is, if they don't show up, they won't get their message to the legislators. We seem surprised that there is no money for education in the state of Montana. We have to remember that this deficit in education is the fault of previous Legislatures. The Montana tax structure over the past few years has been a benefit to corporate America. It has been detrimental to education and the state of Montana.

**Bev Sirr, Helena**, submitted written testimony. **EXHIBIT (edh33a32)**

**Questions from Committee Members and Responses:**

**REPRESENTATIVE JOHN MUSGROVE** had a question for **Jeff Hindoien**. He is forced to think of funding in two different ways. With the proposal the Governor's Office has made, what happens if Montana ends up like Michigan did a few years ago and in 2003 Montana has to shut down the schools, say in February, because we don't have enough funds to extend them to the end of the year? Have the people offering this austere budget thought about that?

**Mr. Hindoien** said he is not familiar with what happened in Michigan. The Governor does not believe this is an austere budget and that it will create situations like the Representative has described. **REPRESENTATIVE MUSGROVE** asked him what happens if they are wrong and most of the schools in Montana find themselves in arrears. What does education do at that time? **Mr. Hindoien** said the legislators know the budget is tight and the position the Governor is in. He does not believe this is an austere budget for education. They are doing their best and cannot deal with the "what if" questions. He is sure corrections and other departments could ask the same questions.

**REPRESENTATIVE VERDELL JACKSON** had a questions for **Dr. Messinger**. The speaker system failed and it cannot be transcribed. They

discussed what has happened in the Helena area to the schools and what **Dr. Messinger** foresees happening if **HB 121** is passed.

**REPRESENTATIVE HAL JACOBSON** asked **Dr. Messinger** where he will make cuts in the Helena budget for next year. **Dr. Messinger** said there could possibly be another school closure. An administrator position will have to be cut. Class sizes will have to grow. Programs will have to be cut.

**REPRESENTATIVE NANCY FRITZ** said that the **SPONSOR** has heard from the testimony that education in the state is in serious financial trouble. She, like others, is worried about the future and not just today. She is worried about the schools now and wonders what the state of education will be in the state if tax cuts are made. **REPRESENTATIVE MOOD** said Montana's tax structure causes businesses not to come to Montana. Montana has a mobile population. Our tax structure is completely uncompetitive for businesses in the world around us. The state was fine when we had resource businesses. Those were businesses that had to be here because this is where the resources were. The reality is that in today's society we have a mobile corporate population. They can go anywhere in the world and set up business. We are competing with other states and the entire world to keep those businesses here in our state that currently exist. The solution to our problems in the state of Montana is not to raise the taxes on the people who create the jobs. In his estimation, the only thing we do is drive businesses out of state in the same way people have been driven out of business in Seeley Lake.

**REPRESENTATIVE FRITZ** said she is very concerned and would like to know where he sees school funding in the next biennium if the Legislature makes the tax cuts. **REPRESENTATIVE MOOD** said he doesn't know what is going to happen with the biennium's budget. The Business Critton Tax Reduction that was referred to in testimony has been in place for a little over a year. He said he would refer to Venture Cow, the business that was set up in Sidney. It is growing and was set up in Montana because of the business equipment tax cuts. There was a bill on the floor that gave complete exemption to a business that was going to go into Great Falls. Why would the state give those tax breaks to businesses when we are trying to attract them and continue to tax the businesses that are already here? Why don't we treat them all the same? It is obvious that Montana knows there is something that has to be done to attract business. He can't predict what is going to happen in two years, but he hopes that the efforts that have been made to make business doable in Montana will in fact make it doable in the state and the revenues will go up as the result of additional commerce and not as the result of additional taxes. **REPRESENTATIVE FRITZ** told him she hopes he is not making a mistake, as one lady suggested.

**Closing by Sponsor:**

**REPRESENTATIVE MOOD** said he was driving through Idaho about six years ago and listening to the radio and their Legislature was in session. Something really struck him. It has been with him ever since. The state of Idaho, he assumes it was a sub-committee for education, had given the university system two million dollars more than they had asked for in their budget request. Why would they do that? Idaho has a dynamic economy. Their economy is growing; their businesses are developing, their climate is amenable to the creation of business opportunities. In Montana our economy has been static for so long that we cannot even imagine what a dynamic economy is like. The schools in Seeley Lake were doing fairly well. The number of students was rising. They estimate that the grade school population is now going to decrease by about 60 students. That would be 60 students out of about 230. The high school is going to drop in population by 40 students out of 90 students. They are going to have difficulty with their budget. There is no question about it. The reason is, of course, that the ANB numbers are going down. The ANB numbers that he received from the budget office on this day indicate that in 1997 there were 164,742 students in schools in the state. They are estimating that in 2003 there will be 152,347 students. That is a difference of approximately 12,400 students. He has four grandchildren. None of them live in this state. His children went to school in the state and they were very well educated. They are working out of this state. His point is this: his heart goes out to the people that have to make those heart wrenching cuts in their budgets within their schools. His heart goes out to them. Those problems do not exist in a vacuum. As John F. Kennedy said, "A rising tide lifts all boats." What we need to do in this state is raise that tide. We need to raise the level of economic activity in the state to the point where we can all be better off. He is sincere when he says, he listens to the people who come to the Legislature in opposition to his bill. They have heart wrenching stories about cutting budgets. He absolutely sympathizes with them, but we are in a death spiral in Montana. He thinks the reason we are in it is because of the tax policies that were established and based upon an industrial age. They were based upon an economy that no longer exists.

**{Tape : 2; Side : B}**

The state has to change its tax laws. The economy will go up and the enrollment in schools will go up. People will see the kind of increases in the school budgets that we really, honestly want to happen, but in today's climate they cannot. He would urge the committee to seriously consider **HB 121**. He knows it is not adequate. He has to tell everyone that it is the very best he can offer.

**ADJOURNMENT**

Adjournment: 6:10 P.M.

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REP. GAY ANN MASOLO, Chairman

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NINA ROATCH, Secretary

GM/NR

**EXHIBIT** (edh33aad)